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February 2024 Revenue Update

Major Taxes

Cash collections from Michigan's major taxes, penalties and interest, and lottery transfers totaled \$1,211.6 million in February 2024, \$364.8 million less than in February 2023. For the fiscal year-to-date, collections in FY 2023-24 were \$93.6 million (or 0.9%) higher than during FY 2022-23.

Net income tax revenue totaled \$57.3 million in February 2024, and for FY 2023-24 collections through February were \$97.9 million less than the same period during FY 2022-23. Year-to-date gross income tax collections in FY 2023-24 were \$58.4 million higher than one year ago primarily due to withholding collections.

Net business taxes are composed of the single business tax (SBT), the Michigan business tax (MBT), the corporate income tax (CIT), and insurance company taxes. Because of their inherent volatility, monthly collections of business taxes often display significant fluctuations that diverge from historical trends. On a fiscal year-to-date basis, net business taxes were \$252.3 million higher through February 2024 than a year ago. MBT refunds through February 2024 are \$127.9 million higher at this point, and CIT collections and insurance taxes over the same period were \$91.2 million (or 15.9%) and \$29.7 million (or 23.2%), respectively, higher than last year's amount.

Revenue from consumption taxes, which consist of the sales tax, the use tax, beer and wine taxes, liquor taxes, and tobacco taxes, totaled \$971.6 million in February 2024, and were collectively \$75.7 million lower than in FY 2022-23 on a year-to-date basis. Strong use tax collections were more than offset by weaker sales tax and tobacco tax collections.

Revenues from recreational marijuana were \$20.0 million (or 30.0%) higher than last year and online gaming revenue was \$18.6 million (or 18.4%) higher than last year, on a year-to-date basis. The State Education Tax (SET) and Real Estate Transfer (RET) tax continue to trail last year's collections by \$29.2 million and \$12.6 million, respectively.

General Fund/General Purpose (GF/GP) Tax Revenue

General Fund/General Purpose revenue from Michigan's major taxes was estimated¹ to be \$6.9 million in February 2024, about \$116.3 million below the projection established at the January 2024 consensus revenue estimating conference (CREC). Individual income tax (IIT) refunds and MBT refunds that exceeded the forecast projection and more than offset above forecast IIT withholding and corporate income tax revenues. It should be noted that a portion of the higher IIT refunds were expected on a cash basis due to the 2023 PA 4 effective date and have already been accrued to FY 2022-23.

On a year-to-date basis, GF/GP tax revenue for FY 2023-24 was about \$102.2 million below the projected amount.

School Aid Fund (SAF) Revenue

School Aid Fund revenue from Michigan's major taxes was estimated¹ to be \$1,060.0 million in February 2024, about \$15.3 million below the amount established at the January 2024 CREC. Below forecast lottery revenues and slightly weaker state education tax collections more than offset stronger recreational marijuana excise tax revenues.

Year-to-date SAF revenue for FY 2023-24 was about \$28.1 million below the consensus revenue projections.

¹ Because of accruals and undistributed revenue, monthly fund splits are estimated.

FY 2023-24 February Revenue Collections

Millions of Dollars

Major Taxes	FY 2023-24	Year-to-Date Collections		Change from		FY 2023-24 Estimates	
	February	FY 2022-23	FY 2023-24	FY 2022-23 Year-to-Date	Year-to-Date	(January 2024 CREC)	Year-to-Date
				Dollar	% Change	Dollar	% Change
Individual Income Tax							
Withholding	\$994.8	\$4,189.2	\$4,263.7	\$74.5	1.8%	\$12,381.9	2.8%
Flow Through Entity Tax	12.6	294.8	321.0	26.2	8.9%	972.8	(45.8%)
Quarterly Income Tax	13.5	387.9	349.8	(38.0)	(9.8%)	1,109.0	(19.3%)
Annual Income Tax	<u>32.5</u>	<u>92.7</u>	<u>88.4</u>	<u>(4.3)</u>	<u>(4.6%)</u>	<u>1,222.5</u>	<u>(35.2%)</u>
Gross Income Tax	\$1,053.4	\$4,964.6	\$5,022.9	\$58.4	1.2%	\$15,686.2	(8.3%)
Less: Income Tax Refunds	996.1	971.3	1,127.5	156.2	16.1%	3,347.0	(205.6%)
Net Income Tax	\$57.3	\$3,993.2	\$3,895.4	(\$97.9)	(2.5%)	\$12,339.2	(39.1%)
Business Taxes							
Single Business Tax	0.0	(3.5)	0.0	3.5		0.0	
Michigan Business Tax	(148.4)	(477.5)	(349.6)	127.9		(494.6)	
Corporate Income Tax	97.7	574.6	665.8	91.2	15.9%	1,525.0	(24.9%)
Insurance Company Taxes	<u>30.6</u>	<u>128.1</u>	<u>157.9</u>	<u>29.7</u>	<u>23.2%</u>	<u>478.0</u>	<u>13.8%</u>
Subtotal	(\$20.0)	\$221.7	\$474.0	\$252.3	113.8%	\$2,108.4	8.1%
Consumption Taxes							
Sales Tax	761.9	3,550.4	3,425.6	(124.8)	(3.5%)	10,777.3	(0.1%)
Use Tax (excluding LCSA levy)	143.8	661.4	726.3	64.9	9.8%	2,108.3	2.6%
Beer and Wine Taxes	0.9	12.5	12.1	(0.3)	(2.6%)	48.0	(2.4%)
Liquor Excise Tax	11.9	51.4	54.5	3.1	6.0%	146.7	3.7%
Tobacco Taxes	<u>53.1</u>	<u>236.5</u>	<u>218.0</u>	<u>(18.5)</u>	<u>(7.8%)</u>	<u>716.0</u>	<u>(10.2%)</u>
Subtotal	\$971.6	\$4,512.2	\$4,436.5	(\$75.7)	(1.7%)	\$13,796.3	(0.2%)
Other Miscellaneous Taxes							
State Education Tax	20.2	443.1	413.9	(29.2)	(6.6%)	2,710.0	11.1%
Real Estate Transfer Tax	22.7	132.5	119.9	(12.6)	(9.5%)	370.0	(32.3%)
Essential Services Assessment	0.1	0.9	(0.6)	(1.5)	(164.7%)	150.0	10.8%
Industrial & Commercial Facilities Taxes	1.6	7.4	8.5	1.1	14.3%	45.0	8.7%
Casino Wagering Tax	8.5	33.9	31.6	(2.3)	(6.8%)	104.8	0.7%
iGaming, Sports Betting, Fantasy Sports	28.3	101.1	119.7	18.6	18.4%	348.4	33.7%
Recreational Marihuana Excise Tax	12.4	66.7	86.7	20.0	30.0%	108.0	(45.5%)
Gas and Oil Severance Tax	1.5	11.2	8.8	(2.5)	(21.9%)	30.0	(28.9%)
Telephone and Telegraph Tax	0.1	7.1	13.4	6.3	88.2%	34.0	(2.9%)
Penalties and Interest	7.5	32.3	31.5	(0.8)	(2.4%)	143.0	2.3%
Lottery Transfer to the School Aid Fund	<u>100.0</u>	<u>374.4</u>	<u>392.0</u>	<u>17.6</u>	<u>4.7%</u>	<u>1,300.0</u>	<u>4.1%</u>
Subtotal	\$202.7	\$1,210.5	\$1,225.3	\$14.8	1.2%	\$5,343.2	2.9%
TOTAL	\$1,211.6	\$9,937.6	\$10,031.2	\$93.6	0.9%	\$33,587.1	(18.6%)

Note: Numbers may not add due to rounding.